

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

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Refer Reply To:
CC:INTL:BO3
PLR-121623-11

Date:
July 08, 2011

Taxpayer =
State X =
Taxable Year =
Year 1 =
Industry X =

Dear :

This is in response to a letter you submitted, dated May 10, 2011, requesting a ruling that Taxpayer be permitted to change to the tax book value method of asset valuation for purposes of apportioning interest expense for the Taxable Year.

The ruling contained in this letter is based upon information and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for ruling, it is subject to verification on examination.

Taxpayer is a domestic corporation organized under the laws of State X. Taxpayer uses the accrual method as its overall method of accounting and its annual accounting period ends December 31. Taxpayer through its wholly owned subsidiaries owns and operates businesses in Industry X. Taxpayer must allocate and apportion its deductions, including its deduction for interest expense, for all purposes of the Internal Revenue Code pursuant to Treas. Reg. §§1.861-8 through 1.861-17 and Temp. Treas. Reg. §§1.861-8T through 1.861-14T.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-9 through 1.861-12 and Temp. Treas. Reg. §§1.861-9T through Temp. Treas. Reg.

§1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either the tax book value or the fair market value of its assets. Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods.

Taxpayer is the common parent of a group of affiliated corporations that file a consolidated U.S. federal income tax return. Starting with Year 1, Taxpayer and its affiliates have determined the value of their assets on a fair market value basis, pursuant to the authority granted under Temp. Treas. Reg. §1.861-9T(g)(1)(ii). Since Year 1, Taxpayer has continued to use the fair market value method, as required under Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii).

Taxpayer requests, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), that it be permitted to change to the tax book value method of asset valuation for the Taxable Year.

Based solely on the information submitted, the representations made, and the reasons given for this request, Taxpayer may change from the fair market value method to the tax book value method of asset valuation for purposes of apportioning interest expense, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), for the Taxable Year and for future years.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item described or referenced in this letter.

This ruling is directed only to Taxpayer. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel (International)

cc: